

# 6 PARTS to an AUTO INSURANCE POLICY



# 6 Parts To An Auto Insurance Policy

By Royce Williams Agency

The auto insurance policy is actually a product with six distinct coverage parts:  
Let's look at them here.

**1. Bodily Injury Liability** – It pays the medical and other expenses of those people injured or even killed in accidents you cause. This is required by Tennessee with a minimum coverage of \$25,000 for any person involved in an accident with you and no more than \$50,000 for all the persons in the accident.

**2. Property Damage Liability** – It covers the damage your car causes to property. Usually, that's the other car or cars involved in the accident, but it also covers damage you do to any object you hit. Garages, buildings, lampposts, fences, whatever. This is also required in Tennessee with a minimum coverage of \$15,000.

**3. Collision** – This is for damage done to your car when it collides with other vehicles (your fault) or other objects (again, your fault).

**4. Comprehensive** – This covers damage to your car which results from something other than a collision with another vehicle. As examples, damage caused by vandals or a windblown tree hitting your car. It also includes coverage for theft.

**5. Medical Payments** – It pays medical, and even funeral, expenses for you as well as members of your family and passengers in your car if it is involved in a collision, regardless of who caused the accident. It also covers you as a pedestrian if a vehicle hits you.

**6. Uninsured/Underinsured Motorist** – This pays for injuries to you and damage to your car if you are hit by a driver who doesn't have insurance – or by someone who doesn't have enough insurance to cover your losses. In Tennessee it's estimated that around 21% of motorists don't have any insurance.

Many of those who do have insurance don't have enough to cover the damages and injuries that would result in a major collision. If you don't have this coverage, which is often referred to as UM, you are taking a risk. UM also provides coverage for any injuries you suffer if you are hit while walking or riding a bicycle by a driver with inadequate or no insurance.

## There are Even More Coverage's Available...

There are additional coverage's you can buy. You can purchase towing coverage, which will pay the costs if your car needs to be transported. If you're a member of an auto club, you don't need this coverage.

You can buy rental reimbursement, which will pay for a rental car you use while your vehicle is being repaired. (If the accident was not your fault, the cost of the rental car is automatically picked up by the other person's insurance company.)

## **What are the Various Options for These Different Coverages?**

While there are six main coverage's in an auto insurance policy, there are numerous options to consider for each coverage.

How much insurance do you need?

**Bodily Injury Liability** – You can buy the minimum required by Tennessee, say \$25,000 per person, \$50,000 per accident. Or you can buy limits as high as \$500,000, even \$1 million. Remember that someone you hit can sue you for everything you have.

\* Tip. If you have a home, own stock and have a decent income, you should probably buy, at minimum, limits of \$100,000 per person, \$300,000 per accident. If you have more than \$300,000 in assets, you should buy higher limits or an umbrella policy. Consult with your professional agent about this!

**Property Damage Liability** – Several years ago, \$25,000 was considered the maximum most people needed for this coverage. Not anymore. There's a lot of \$50,000, \$60,000, even \$70,000 cars and sport utility vehicles on the road these days.

\* Tip. Because of all the super-expensive cars on the road today, you should seriously consider at least \$50,000 of coverage; \$100,000 might be preferred.

**Collision** – Consider how much you can afford to pay to have your car fixed if you have an accident. Auto policies have several deductible options.

\* Note. Deductible? That's the part you pay before the insurance kicks in. You can buy deductibles of \$100, \$250, \$500, \$750 even \$2,000. Obviously, the lower the deductible, the more this coverage will cost.

Unless you're planning to have a lot of accidents, it's probably a good idea to have a deductible of at least a \$500 deductible. (By the way, the deductible does not apply if someone else hits you and that person's insurance is used to pay for your car's damages.) Comprehensive – Like collision, there's a deductible with comprehensive, although it is often lower. For example, if you have a \$500 deductible for collision, your comprehensive deductible will be, say, \$100.

\* Note. While collision and comprehensive will pay for the damage or loss to your car, neither

coverage will pay for everything on or in your vehicle. Most policies exclude things like GPS, two-way radios, car phones, cassettes and CDs.

Further, if you add special features to pickups, vans or SUVs, these things probably will be excluded as well. In fact, it's a good idea for you to talk to your insurance agent about any high tech equipment or special features you have added to your vehicle.

Many, perhaps even most, of these features aren't covered in the standard policy. It is possible, however, to obtain special coverage for the high-tech equipment or special features in your vehicle. Your agent can advise you of the options.

Medical Payments (also called Personal Injury Protection) – Some people elect not to buy this coverage because they believe their health insurance is enough in this regard. That's true – to an extent.

\* Note. Unlike your health insurance, medical payments coverage can reimburse you for income lost as a result of injuries suffered in an auto accident. However, medical payments coverage is not nearly as comprehensive as most health insurance plans. Still, medical payments coverage, which usually costs less than \$100 a year, is probably a good buy for most people.

In addition, medical payments coverage provides protection for passengers in your vehicle for medical expenses incurred and income lost. In some states, medical payments coverage is not relevant. These are states that have so-called no-fault auto insurance systems. Basically, regardless of who's at fault, your insurance company pays for damage to your car and/or injuries you incur.

**Uninsured/Underinsured Motorist** – For most people, it's a good idea to have the same limits for UM as they have for bodily injury liability. But remember, UM coverage is for you. It pays for your injuries and, in some policies, damage to your car if the person at fault in an accident with you cannot. Since you based your liability limit on what you have to lose, you should do the same with UM.